



County of Los Angeles CHIEF EXECUTIVE OFFICE

Kenneth Hahn Hall of Administration
500 West Temple Street, Room 713, Los Angeles, California 90012
(213) 974-1101
<http://ceo.lacounty.gov>

WILLIAM T FUJIOKA
Chief Executive Officer

July 8, 2009

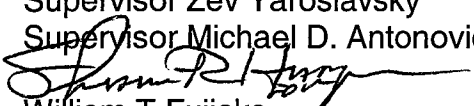
Board of Supervisors
GLORIA MOLINA
First District

MARK RIDLEY-THOMAS
Second District

ZEV YAROSLAVSKY
Third District

DON KNABE
Fourth District

MICHAEL D. ANTONOVICH
Fifth District

To: Supervisor Don Knabe, Chairman
Supervisor Gloria Molina
Supervisor Mark Ridley-Thomas
Supervisor Zev Yaroslavsky
Supervisor Michael D. Antonovich
From: 
William T Fujioka
Chief Executive Officer

WASHINGTON, D.C. UPDATE

Health Care Reform Legislation

Congressional Democrats have set the goal of passing health care reform legislation in both the House and Senate before the August congressional recess. This schedule is ambitious. Five committees -- Senate Finance; Senate Health, Education, Labor, and Pensions (HELP); House Energy and Commerce; House Ways and Means; and House Education and Labor -- which share jurisdiction over elements of health care reform first must approve their versions. Then, a single version must be merged in each house for floor action.

To date, none of the five committees have approved health care reform legislation, and only the Senate HELP Committee has begun its mark-up of such legislation. The three House committees, which share jurisdiction, plan to begin marking up their bills next week. It is unclear when the Senate Finance Committee, which has jurisdiction over Medicaid, Medicare, health programs financed by taxes or trust funds, and tax revenues, will begin its mark-up. Its members have been trying to agree informally on a bipartisan package. However, there may be unreconcilable differences on whether the legislation will include a new public insurance plan and on how to finance the legislation to make it deficit neutral.

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One of the most contentious elements of health care reform legislation for which there is not any consensus within either party is how to make its overall net cost deficit neutral. The Congressional Budget Office (CBO) must score (estimate) the cost of the legislation and amendments as part of Congressional pay-as-you-go budget rules, which require that increased entitlement spending and/or revenue decreases be offset by a corresponding amount of entitlement spending decreases and/or revenue increases. None of the committee and party leaders in either House have released any comprehensive health care reform proposals, which address how the increased cost of any health coverage expansions would be offset by spending cuts and revenue increases.

Press reports this week indicate that three hospital associations -- the American Hospital Association, Catholic Health Association, and Federation of American Hospitals -- have apparently reached agreement with the Obama Administration on a plan, which would reduce Federal payments to hospitals by \$155 billion over the next ten years, including a reduction of roughly \$50 billion in Medicaid and Medicare Disproportionate Share Hospital (DSH) payments. At this time, no details are available on this agreement. In order for the CBO to score any plan's budget savings, it would need to review draft bill language and analyze how it interacts with other health care reform provisions.

The County is not a member of any of these three hospital associations that represent mostly private hospitals, which unlike the County, receive far more Medicare DSH than Medicaid DSH revenue. As reported in a June 16, 2009 Washington, D.C. update on the Obama Administration's proposal to reduce Medicare and Medicaid DSH funding, the County's Department of Health Services estimates that, in Federal Fiscal year 2009, it will receive approximately \$412 million in Federal Medicaid DSH payments and \$18 million in Medicare DSH payments. In light of the importance of Medicaid DSH funding to the County, as the Chairman of the Board, Supervisor Knabe sent letters to House Speaker Nancy Pelosi and the County's Congressional Delegation urging them to support preserving Medicaid DSH funding and voicing the County's concern about the Administration's proposed deep reductions in Medicaid DSH payments.

We will continue to keep you advised.

WTF:RA
MT:sb

c: All Department Heads
Legislative Strategist